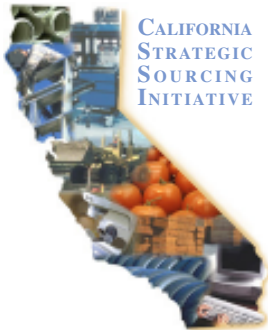


CSSI Times

A NEWSLETTER FOR DGS EMPLOYEES



CALIFORNIA
STRATEGIC
SOURCING
INITIATIVE

In case you missed the first edition of *CSSI Times* in October, here is a snapshot of what we're up to...

BACKGROUND

At the Governor's direction, the Department of General Services (DGS) is leading the California Strategic Sourcing Initiative (CSSI). Strategic sourcing is an approach where the buyer (California) analyzes what it's buying, what the market conditions are, and who can supply those goods and services. This approach results in the identification and eventual realization of savings through new contracts or the renegotiation of existing contracts. The overall aim is to lower costs and/or add value while maintaining the quality of goods and services. The goal of CSSI is for the State of California to get quality services and products for the best value as well as to adopt procurement practices that support continuous improvement.

STRATEGIC SOURCING IS NOT OUTSOURCING

One of the first questions people often ask when they are introduced to the term *Strategic Sourcing* is, "Is that the same thing as Outsourcing?" The answer is "No." The two terms are often confused but they have significantly different meanings. Strategic sourcing, as described in the *Background* section at left, essentially means getting the best services and products for the best value. Outsourcing occurs when an organization transfers the performance of functions once administered in-house to other organizations that specialize in those functions (e.g., help desks, software programming, manufacturing, human resources, etc.).

Governor Schwarzenegger has made it clear that modernizing the State's procurement system is a priority for this administration. We've been working hard to make that happen, and now we're seeing the results: lower prices and better values for California's taxpayers. —Fred Aguiar, Secretary of the State and Consumer Services Agency

STARTING FROM THE TOP

As many of you know, Russ Guarna, former CSSI Project Director, left the CSSI project to continue his work with the California Performance Review (CPR). The CSSI project team thanks Mr. Guarna for his leadership and his instrumental contribution in getting the CSSI off the ground and running.

New Leadership

Taking over the reins for Mr. Guarna is Terese Butler. Ms. Butler's career spans over 25 years in public service, primarily with the State of California. Ms. Butler has spent the last 17 years in the Information Technology (IT) field, where she gained extensive experience in project management, IT and business strategic and tactical planning, and managing IT environments.

Prior to taking on the role of CSSI Project Director for the DGS in October of 2004, Ms. Butler served for 2 years as the Chief Information Officer (CIO) and Deputy Director of the IT Branch for the Employment Development Department. There she was responsible for 550 professional IT staff and an annual IT budget in excess of \$100 million. In addition to her current duties, Ms. Butler serves on the State CIO's California IT Council and as an Advisory Board member of the State CIO Academy.

Ms. Butler earned her Bachelor's degree in Organizational Training and Development from the California State University, Sacramento and completed the Project Management Certification Program through the University of California at Davis. In addition, Ms. Butler earned the Project Management Professional certification from the Project Management Institute, International.

Ms. Butler's experience, enthusiasm, and vision continue to make a great impact on the CSSI project.



Project Director Terese Butler
speaks at a CSSI forum 10/4/04

CSSI Next Steps

The strategic sourcing approach (which includes analyzing purchasing patterns, the market conditions and available suppliers) used to renegotiate the Boise/OfficeMax contract will be used for many categories of goods and services that the State purchases. These categories include copiers; cell phone equipment and services; information technology hardware; vehicles; medical-related goods and pharmaceuticals; maintenance, repair and operations supplies; and medical related services. Based on CSSI analysis, these are areas where the State can achieve significant future savings.

"We've purposefully taken our time in California to analyze the data and develop our strategies to ensure that this initiative is as successful as it can be," said Ron Joseph, Director of the DGS. "Now we're ready to take the next steps and start saving money."

THE CSSI TEAM



The CSSI project team consists of individuals from the State of California (led by DGS) and its consultants, Team CGI-AMS. Leveraging the State's spend, which is estimated at over \$4 billion annually, is based on using economies of scale and industry best practices. As CSSI team members, Team CGI-AMS will support the DGS in identifying opportunities to consolidate the State's spend, negotiate new contracts with suppliers, and implement other improvements to drive cost reductions and efficiency improvements in each of the categories of goods and services. The new contracts will result in greater value per taxpayer dollar for goods and services.

The team expanded last September to include staff from other State departments who possess the required knowledge, skills, and abilities to make CSSI a success. The following State departments and organizations have been very supportive of the CSSI effort and generously provided some of their staff for a period of four to six months to assist with Phase II of the CSSI:

- Board of Equalization (BOE)
- California Department of Corrections (CDC)
- California Youth Authority (CYA)
- Department of Developmental Services (DDS)
- Department of Justice (DOJ)
- Department of Mental Health (DMH)
- Department of Social Services (DSS)
- Department of Transportation (DOT)
- Department of Water Resources (DWR)
- Employment Development Department (EDD)
- Franchise Tax Board (FTB)
- Health and Human Services Data Center (HHSDC)
- Prison Industry Authority (PIA)
- Stephen P. Teale Data Center (Teale)



CSSI All Hands 11/4/2004



DGS Deputy Director
Rita Hamilton addresses
SB/DVBE owners

Our Creed— Best Service, Best Products, Best Value

“California has a pressing need for quantum improvements in the processes and methods it uses to acquire goods and services. By identifying common specifications and implementing procurement best practices across all agencies and departments, the State can leverage its buying power in the market. The result? Strategic sourcing could save the State and taxpayers hundreds of millions of dollars.”

— State CIO
J. Clark Kelso on
Strategic Sourcing

SLICE OF THE STRATEGIC SOURCING PIE

Nine categories have been identified as opportunities where the State of California can realize significant savings. The members of each category team work collaboratively to renegotiate existing contracts or release new Requests For Proposal (RFPs) for goods and/or services to obtain a better value for the State.

CSSI Category Status

Office Equipment Category

Encompasses: Copiers and the service/maintenance agreements, furniture, and postage meters.

Status: Currently, the team is focusing on sourcing copiers and their respective service/maintenance agreements. The team is preparing for the release of the solicitation for multifunction copiers.

Medical Related Services Category

Encompasses: Temporary staffing, hospital and physician services, and laboratory testing services.

Status: Currently, the team is focusing on sourcing temporary staffing and hospital services. The RFP for temporary staffing is being drafted for release in February. Hospital spending is being analyzed for opportunities to improve utilization and reduce the cost of treatment.

Vehicles Related Category

Encompasses: E Class Sedans (Pursuit Vehicles), automotive parts, and specialty vehicles.

Status: Completed live e-auction in early January. Negotiations were completed and the award will be finalized in February. Future items to be sourced include Specialty Vehicles, Fuel, and Maintenance and Repair (R & M).

Office Supplies

Encompasses: General office products, toner, and office paper.

Status: The team renegotiated the Boise/OfficeMax contract. The mandatory contract is currently in effect and is projected to save the State roughly \$9 million between January and July 2006. This figure represents an estimated savings of 18–19%.

Cellular Phones and Services

Encompasses: Cellular voice and data and related cellular equipment including accessories.

Status: Currently, the team is focusing on developing the solicitation document and expects to release the solicitation in February.

Medical Related Goods Category

Encompasses: Pharmaceuticals, medical/surgical supplies, and durable medical equipment.

Status: Currently, the team is conducting negotiations this month with pharmaceutical manufacturers, developing RFPs for distribution and dispensing of pharmaceuticals and medical–surgical goods.

Maintenance, Repair, and Operations (MRO) Supplies Category

Encompasses: Janitorial supplies, industrial supplies, tools, safety supplies, and HVAC.

Status: Currently, the team is preparing technical requirements for a solicitation for common, off-the-shelf, MRO supplies.

IT Hardware—PC Goods Category

Encompasses: PC Servers, desktops, laptops, printers, and peripherals.

Status: Currently, the team is reviewing the category workplan with the CSSI Project Director, the DGS Deputy Director, DGS Director, and DGS Legal Counsel. In parallel to the workplan effort, the team is finalizing common configurations (the equipment specifications that reflect user needs across State departments) and drafting the RFP.

IT Hardware—Enterprise Hardware

Encompasses: Enterprise Servers, storage, and mainframes.

Status: Currently, the team is reviewing the category workplan with the CSSI Project Director, the DGS Deputy Director, DGS Director, and DGS Legal Counsel. In parallel to the workplan effort, the team is finalizing common configurations (the equipment specifications that reflect user needs across State departments) and drafting the RFP.



Cellular Phones and Services Category Meeting
11/10/2004

CSSI PROJECT UPDATE

CSSI celebrated a major achievement as the State renegotiated its contract for office supplies with Boise/OfficeMax (OfficeMax), the incumbent office supplies provider.

The OfficeMax contract renegotiation is projected to save California roughly \$9 million between now and July 2006. This savings translates into an overall 18-19% reduction in the prices the State currently pays for the same goods.

In addition to the previously mentioned dollar savings, the renegotiated OfficeMax contract also includes incentives, discounts, and other benefits. For example, it includes incentives for online orders and for making payments using the State's CAL-Card. The contract also ensures that State departments will be able to get the same prices at OfficeMax stores throughout California as they do for orders sent by fax or mail. Participating local governmental agencies, including school districts, will also receive the same prices as the State.

OfficeMax has agreed to higher service levels, including improved fill rates and faster deliveries. They will also provide comprehensive reporting to enable the State to monitor its commitments to saving tax dollars, ensuring participation by small businesses and DVBes, and purchasing environmentally preferable products.

The use of this contract by all department buyers is essential to realize its full savings potential. To learn more about the OfficeMax contract visit the CSSI website at www.pd.dgs.ca.gov/StratSourcing. The site provides materials associated to the implementation of the contract such as a one page "Fact Sheet," Frequently Asked Questions (FAQs), and User Instructions. In addition, there is an OfficeMax web-based microsite that is specifically designed for the State of California. This site offers an online catalog as well as contact information and procedural instructions related to contract utilization. Visit the microsite at www.boiseoffice.com/microsite/stateofca.

To assist in implementation and to maintain compliance with the contract terms, Hiroko Kurosawa will serve as the DGS/Procurement Division's (PD's) Contract Manager for the OfficeMax contract. If you have questions regarding use of the OfficeMax contract or the User Instructions, contact Ms. Kurosawa at (916) 375-4382 or hiroko.kurosawa@dgs.ca.gov.

The Office Supplies Category team did an outstanding job renegotiating this contract. This is a significant milestone that culminates several months of hard work. Congratulations to the team, which includes Bill Fackenthall (DGS), Kayla Dann (DGS), Randy Graybill, (EDD), Berniece Boyd (CDC), Victor Haggerty (DOT) and Paul Henderson (DOT).

How can I get the latest info on Strategic Sourcing and stay plugged in?

- Visit www.pd.dgs.ca.gov/StratSourcing where you can look for the latest information on what's happening with Strategic Sourcing.
- See the bulletin boards on the first and second floors of the Ziggurat.
- Tap the shoulder of any CSSI team member and ask, "What's new with Strategic Sourcing?"



CALIFORNIA DEPARTMENT
OF GENERAL SERVICES,
PROCUREMENT DIVISION

707 Third Street, 2nd Floor
West Sacramento, CA 95605